



STATE MINING AND GEOLOGY BOARD

EXECUTIVE OFFICER'S REPORT

For Meeting Date: October 14, 2010

Agenda Item No. 4: Approval of Adjusted Financial Assurance Cost Estimate for Garnet Pit (CA Mine ID #91-33-0031), Granite Construction Company (Operator), Ms. Catherine Vos (Agent), City of Palm Springs.

INTRODUCTION: The State Mining and Geology Board (SMGB) is the lead agency for the City of Palm Springs, pursuant to the Surface Mining and Reclamation Act of 1975 (SMARA, Public Resources Code (PRC) Section 2710, et seq.). SMARA requires that each surface mining operation maintain a financial assurance in an amount adequate to reclaim, in accordance with the requirements of an approved reclamation plan, the land disturbed by the mining operation at the conclusion of mining activities. SMARA lead agencies are required to annually review the financial assurance amounts for each surface mining operation, and adjust the amount, as necessary, to account for new land disturbed, inflation, or land reclaimed. In any event, the lead agency must ensure that the approved amount is adequate to reclaim the mine site according to the reclamation plan requirements (PRC Sections 2770 and 2773.1, and California Code of Regulations (CCR) Section 3804).

STATUTORY AND REGULATORY AUTHORITY: Financial assurance cost estimate adjustment requirements are discussed under SMARA, and within the SMGB's regulations and guidelines. Lead agencies are required to assure that financial assurances for reclamation are sufficient pursuant to Division 2, Chapter 9, Article 5 of PRC Section 2770(d) which states:

"The lead agency's review of reclamation plans submitted pursuant to subdivision (b) or of financial assurances pursuant to subdivision (c) is limited to whether the plan or the financial assurances substantially meet the applicable requirements of Sections 2772, 2773, and 2773.1, and the lead agency surface mining ordinance adopted pursuant to subdivision (a) of Section 2774, but, in any event, the lead agency shall require that financial assurances for reclamation be sufficient to perform reclamation of lands remaining disturbed. Reclamation plans or financial assurances determined to substantially meet these requirements shall be approved by the lead agency for purposes of this chapter. Reclamation plans or financial assurances determined not to substantially meet these requirements shall be returned to the operator within 60 days. Reclamation plans or financial assurances determined not to substantially meet these requirements shall be returned to the operator within 60 days. The



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operator has 60 days to revise the plan or financial assurances to address identified deficiencies, at which time the revised plan or financial assurances shall be returned to the lead agency for review and approval.”

In addition, PRC Section 2773.1(a) states:

“...Lead agencies shall require financial assurances of each surface mining operation to ensure reclamation is performed in accordance with the surface mining operation's approved reclamation plan, as follows:

(3) The amount of financial assurances required of a surface mining operation for any one year shall be adjusted annually to account for new lands disturbed by surface mining operations, inflation, and reclamation of lands accomplished in accordance with the approved reclamation plan.”

Furthermore, the SMGB's regulations pursuant to Article 11 of the CCR Section 3804, Calculation of Financial Assurance Amount, states:

“(a) The Financial Assurance Amount shall be calculated as prescribed in Public Resources Code Section 2773.1 and based on:

- (1) an analysis of the physical activities and materials necessary to implement the approved reclamation plan;*
- (2) the lead agency's unit costs, or costs for third party contracting, for each of these activities, if applicable;*
- (3) the number of units of each of these activities, if applicable;*
- (4) a contingency amount not to exceed 10% of the reclamation costs.*

(b) The calculated amount should not include the cost of completing mining of the site.

(c) In order for the lead agency or the Department of Conservation to determine what annual adjustments, if any, are appropriate to the Financial Assurance Amount, the operator shall annually submit to the lead agency a revision of the written calculation required under Section 3804(a).”

BACKGROUND: The Garnet Pit is an active mine situated at 21000 North Indian Avenue, approximately ½-mile south of Interstate 10 in the city of Palm Springs, in Riverside County, California. The site is triangular in shape with mining activities permitted on about 147 acres, which includes approximately 121 acres covered by the approved Reclamation Plan and 26 acres of adjoining Coachella Valley Water District (CVWD) property.



Entrance to the site is by North Indian Avenue, which borders the western perimeter of the site. Near the site entrance is a truck scale and scale house, equipment storage sheds and concrete pads used as parking areas. To the north, the site is bordered by the Union Pacific Railroad right-of-way, immediately south of which is the northern perimeter of the Garnet Pit. To the east and south is open space owned by the CVWD. Along the south western perimeter are berms of varying height constructed of imported construction debris.

Along North Indian Avenue, the western perimeter berm has been graded, exposed construction debris removed, and revegetation test plots have been established. Material extraction and material processing areas are located in the central eastern portion of the Garnet Pit site, which is characterized by an open, east-west oriented, oblong partially benched pit. Three sediment settling ponds are located on the southern portion of the pit floor. A fresh-water pond is located north of the sediment ponds, which provides process water in addition to recycled water from the sediment settling ponds. Several product stockpiles are situated near the processing plant in the east-central portion of the pit.

The site is underlain by unconsolidated alluvium overlying the Cabazon Fanglomerate. The Cabazon Fanglomerate is comprised of granitic, metamorphic and sedimentary rock fragments, and is exposed along the south (north-facing) pit walls. Mining over the past years has been intermittent and accompanied by the importation of construction debris. Mining is currently planned in three phases: Phase I in the eastern portion of the pit, Phase II toward the southwest portion of the site, and Phase III toward the northwest portion of the site.

No violations or corrective measures were noted during the last annual inspection performed at Garnet Pit by SMGB staff on November 17, 2009. During 2009 and 2010 the operator has continued to monitor the established revegetation test plots on the western berm, and they have continued to receive imported fill material for use as backfill along the central southern border of the site. Additionally, in November of 2009, the operator completed reclamation activities on approximately 24 acres of CVWD property immediately south of the southern reclamation plan border.

Currently approximately 122 acres of the Garnet Pit site are deemed disturbed and the existing financial assurance on file for the site is in the amount of \$1,261,000.00. The site remains subject to a financial assurance, and the SMGB considers the updated financial assurance cost estimate in the amount of \$1,202,959.13 to be adequate to conduct and complete reclamation of the mined lands in accordance with the approved reclamation plan.

The revised financial assurance cost estimate reflects a relatively small reduction (\$58,040.87) compared to the existing financial assurance on file for the site. This reduction

is based primarily on a decrease in the Labor Surcharge and Equipment Rental Rates as reported by Caltrans. The adjusted financial assurance cost estimate is summarized as follows:

FINANCIAL ASSURANCE COST ESTIMATE (FACE) ADJUSTMENT:

I.	Primary Reclamation Activities	\$ 810,368.24
II.	Revegetation	\$ 30,335.13
III.	Plant Structures and Equipment Removal	\$ 29,484.60
IV.	Miscellaneous Costs	\$ 0.00
V.	Monitoring	\$ 7,500.00
	Total Direct Costs	\$ 877,687.97
VI.	Supervision/Overhead/Contingencies	
a.	Supervision (4.5%)	\$ 39,495.96
b.	Profit/Overhead (9.1%)	\$ 79,869.61
c.	Contingencies (7%)	\$ 61,438.16
d.	Mobilization (4%)	\$ 35,107.52
	Total Indirect Costs	\$ 215,911.25
	Total Direct plus Indirect Costs	\$1,093,599.22
	Lead Agency administrative cost (10%)	\$ 109,359.92
	Total Estimated Cost for Reclamation	\$1,202,959.14
	Total Estimated Cost for Reclamation (Rounded to nearest dollar)	\$1,202,959.00



CONSIDERATION BEFORE THE SMGB: The SMGB may take the following actions:

1. Approve as adequate the adjusted financial assurance cost estimate, without additions;

[or]

2. Modify the adjusted financial assurance cost estimate, and then accept it as adequate;

[or]

3. Reject the adjusted financial assurance cost estimate as inadequate and order it to be redone.

EXECUTIVE OFFICER'S RECOMMENDATION: The adjusted financial assurance cost estimate has been reviewed for its consistency and completeness in meeting the minimum requirements of SMARA, and the SMGB's regulations and guidelines. SMGB staff has reviewed the adjusted FACE, and considers it adequate to reclaim the site in accordance with the approved reclamation plan. The Executive Officer recommends that the SMGB approve the adjusted FACE.

SUGGESTED MOTION LANGUAGE:

To approve the Adjusted Financial Assurance Cost Estimate:

Mr. Chairman, in light of the information before the State Mining and Geology Board today, I move that the Board approve the adjusted financial assurance cost estimate of \$1,202,959.00 for the Garnet Pit, CA Mine ID #91-33-0031, located in the City of Palm Springs, as adequate to reclaim the site in accordance with the approved reclamation plan, and as adequate in meeting the minimum requirements of SMARA and SMGB's regulations.

Respectfully submitted:

Stephen M. Testa
Executive Officer